

John R. C. Searl

BYLAWS
OF
FRENCH CREEK TOWNHOME ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is FRENCH CREEK TOWNHOME ASSOCIATION, INC., a nonprofit corporation organized under the Colorado Nonprofit Corporation Act, hereinafter referred to as the "Association." The principal office of the corporation shall be located at 650 S. Cherry Street, Denver, Colorado 80222, c/o Hanover Homes Corporation, but meetings of Members and directors may be held at such places within the State of Colorado as may be designated by the Board of Directors.

ARTICLE II
PURPOSE

The purpose for which this Association is formed is to govern the Project, exercise the rights, power and authority, and fulfill the duties of the Association, as provided in that certain Declaration of Covenants, Conditions and Restrictions for French Creek, and any amendments thereto, recorded in the office of the Clerk and Recorder of the County of Arapahoe, Colorado ("Declaration") (terms which are defined in the Declaration shall have the same meanings herein unless otherwise defined), and those certain Articles of Incorporation of French Creek Townhome Association, Inc., and any amendments thereto, filed in the office of the Secretary of State of the State of Colorado ("Articles of Incorporation"). All present or future Owners, tenants, occupants, or any other person who may utilize in any manner the Project or any facilities or appurtenances thereto or thereon, shall be subject in all respects to the covenants, conditions, restrictions, reservations, easements, regulations, and all other terms and provisions set forth in the Declaration, Articles of Incorporation and these Bylaws. The mere acquisition, rental or occupancy of any Lot, or any portion thereof, shall signify that all terms and provisions of the Declaration, Articles of Incorporation and these Bylaws are accepted, ratified and shall be complied with.

ARTICLE III
MEETINGS OF MEMBERS

Section 1. Classes of Voting Membership. The Association shall have two classes of voting membership.

(a) Class A. The Class A members shall be all Owners, with the exception of Declarant, and shall be entitled to one vote for each Lot owned. When more than one Owner holds an interest in the same Lot, all such Owners shall be members and the vote for such Lot shall be cast as the Owners thereof agree,

but in no event shall more than one vote per question be cast with respect to such Lot. If the Owners of such Lot do not agree as to the manner in which their vote should be cast when called upon to vote, then they shall be treated as having abstained.

(b) Class B. The Class B member(s) shall be Declarant, and shall be entitled to three votes for each Lot owned which is neither leased, nor rented, nor otherwise occupied as a residence. Leasing, renting, or allowing entry for residential occupancy shall terminate the Declarant's weighted voting advantage in relation to any Lot so leased, rented or occupied as a residence, and will limit Declarant in relation to any such Lots to the same voting rights as a Class A member.

(c) Conversion of Class B to Class A Voting Rights. Class B voting rights then existing shall be converted to Class A voting rights upon the happening of the first of the following events:

(1) One Hundred Twenty (120) days after the date when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; provided, however, that if, within said 120-day period, additional real property shall be annexed to the Declaration by virtue of the Annexation of Additional Property pursuant to Article XII, Section 6 thereof, so that after the recording of such document there are again more votes outstanding in the Class B membership than in the Class A membership, then the Class B membership shall not cease and be converted to Class A membership;

(2) Five (5) years from the date of the recording of this Declaration in the office of the Clerk and Recorder of Arapahoe County, Colorado; or

(3) In the event that there is neither any new unit construction initiated nor evidence of any continuing construction, within the Properties for a continuous period of six (6) months; or

(4) Written notice by the Declarant to the Secretary of the Association of its intent to terminate its Class B voting rights; provided, however, that in the event there is more than one Declarant, such notice must be signed by all such Declarants.

Section 2. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held in the same month of each year as the month in which the first annual meeting was held, the specific date and time thereof to be designated by the Board of Directors from time to time.

Section 2. Restriction of Rights. Notwithstanding the provisions of Section 1 of this Article, the Association shall not be empowered to do any of the matters itemized in Article XI of the Declaration, unless it shall obtain the prior written approval of the required percentage of First Mortgagees of Lots, as provided therein.

ARTICLE V
BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of three (3) directors. Directors shall be Members which, in the case of Declarant, shall include the officers, directors and employees of Declarant, and in the case of other corporate Members shall include the officers and directors of each such corporate Member.

Section 2. Term of Office. At the first annual meeting of the Association, the Members shall elect one director for a term of one year, one director for a term of two years, and one director for a term of three years, and at each annual meeting thereafter the Members shall elect the same number of directors as there are directors whose terms are expiring at the time of each election, for terms of three years. At the first annual meeting of the Association, the candidate for the Board of Directors who receives the largest number of votes shall be elected for a three-year term, the candidate who receives the next largest number of votes shall be elected for a two-year term, and the candidate who receives the next largest number of votes shall be elected for a one-year term. In the event that two or more successful Directors - candidates receive an equal number of votes, then the President of the Association shall determine the terms of those members of the Board of Directors receiving an equal number of votes.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of each class of Members, provided that, so long as there is a Class B membership, only Declarant may remove any director who is serving in such capacity as a result of being affiliated with the Declarant. In the event of death, resignation or removal of a director, his successors shall be selected by the remaining member(s) of the Board, whether or not such remaining member(s) constitute a quorum, and shall serve for the unexpired term of his predecessor; provided, however, that so long as there is a Class B membership, the Declarant may appoint the successor of any director who served in such capacity as a result of his affiliation with Declarant.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association.

However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days' notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VIII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

- (a) adopt, amend, publish and repeal rules and regulations governing the use of the Common Area and facilities hereon and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the right to use any recreational facilities and the voting rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and regulations;
- (c) enter into, make, perform, or enforce contracts, licenses and agreements of every kind and description, including without limitation those certain agreements, contracts, licenses, leases, easements and/or rights-of-way, as more fully provided in Article II Section 2(f) of the Declaration, and do all other acts necessary, appropriate, or advisable in carrying out any purpose of this Association, with or in association with any person, firm, association, corporation, or other entity or agency, public or private;
- (d) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;
- (e) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) regular meetings of the Board of Directors during any one year period;
- (f) employ the services of a manager or managing agent, or both, and such independent contractors or other employees as they deem necessary, and delegate any of their duties to such persons; provided, however, when so delegated, the Board of Directors shall not be relieved of its responsibilities under the Declaration, the Articles of Incorporation or these Bylaws; and

(g) designate and remove personnel necessary for the operation, maintenance, repair, and replacement of the Common Area.

Section 2. Duties. It shall be the duty of the Board of Directors to see that all of the duties and obligations of the Association, as set forth in the Declaration, are performed as required therein, including without limitation the duty to:

(a) cause to be kept a complete record of all its acts and corporate affairs and present a statement thereof to the Members at the annual meeting of Members, or any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

(b) supervise all officers, agents, and employees of this Association, and see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the maximum annual assessment against each Lot prior to commencement of each annual assessment period, and give written notification to each Owner of each increase in the amount of the actual assessment against his Lot during any annual assessment period; and

(2) foreclose the lien against any Lot for which any assessment or any portion thereof is not paid within ninety (90) days after the due date, or bring an action at law against the Owner personally obligated to pay the same;

(d) cause the Common Area and any dedicated easement or right of way adjacent to the Properties as well as the landscaping located on those portions of Lots not enclosed by a fence, wall or other structure to be maintained;

(e) issue, or cause an appropriate officer or designated agent to issue, upon written demand by the Owner, First Mortgage, junior mortgagee, prospective purchaser, prospective First Mortgagee or prospective junior mortgagee of each Lot, a certificate setting forth whether or not any assessment has been paid. A reasonable charge, but in no event less than Fifteen Dollars (\$15.00), may be made by the Board of Directors for the issuance of these certificates. Upon the issuance of such a certificate signed by a member of the Board of Directors or an officer of the Association, or by the managing agent of the Association, the information contained therein shall be conclusive upon the Association as to all persons who rely thereon in good faith;

(f) procure and maintain adequate liability and hazard insurance on the Common Area and fidelity bonds as more fully provided in the Declaration;

(g) notify in writing, the First Mortgagee of any Lot, or any insurer or guarantor of a First Mortgage, upon written request, when the Owner thereof is in default in the payment of any assessment, or otherwise in default of any obligation under the Declaration, Articles of Incorporation or these Bylaws, and the Board of Directors has actual knowledge of such default, and said default remains uncured for a period of sixty (60) days.

ARTICLE IX OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be President, a Vice-President, who shall at all times be Members of the Board of Directors, a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board of Directors and each shall hold office for one (1) year unless the officer shall sooner resign, or shall be removed, or shall otherwise be disqualified to serve.

Section 4. Special Appointments. The Board of Directors may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board of Directors and Members; shall see that orders and resolutions of the Board of Directors are carried out; shall sign all leases, mortgages, deeds, and other written instruments; and shall co-sign or authorize a designated agent to co-sign all checks and promissory notes.

Vice-President

(b) The Vice-President shall act in the place and stead of the President in the event of the President's absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of the Vice-President by the Board of Directors.

Secretary

(c) The Secretary or a designated agent shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members; shall keep the corporate seal of the Association and affix it on all papers requiring said seal; shall serve notice of meetings of the Board of Directors and of the Members; shall keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board of Directors.

Treasurer

(d) The Treasurer or a designated agent shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign or authorize a designated agent to sign all checks and promissory notes of the Association; shall keep proper books of account; shall cause an annual compilation report of the Association books to be made by a Certified Public Accountant at the completion of each fiscal year or, at the option of the Board of Directors, or as may be required by Article XI, Section 3 of the Declaration, an annual review or audited financial statement may be required; and shall

prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

ARTICLE X COMMITTEES

The Association shall appoint a Nominating Committee as provided in these Bylaws. In addition, the Board of Directors may appoint other committees which it deems appropriate in carrying out its purposes.

ARTICLE XI BOOKS AND RECORDS

The Association shall keep detailed, accurate and complete books and records of its receipts and expenditures (including receipts and expenditures affecting the Common Area), shall keep minutes of the proceedings of the Board of Directors and Members, and shall keep at its registered or principal office in Colorado, a record of the names and addresses of the Members entitled to vote. Upon ten (10) days' notice to the manager or managing agent of the Association, any Owner shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner. Current copies of the Declaration, Articles of Incorporation and Bylaws of the Association, rules and regulations governing the Association, and other books, records and financial statements of the Association, shall be made available to Owners, First Mortgagees, and insurers or guarantors of any First Mortgage. Current copies of the Declaration, Articles of Incorporation, Bylaws, rules and regulations, and the latest financial statement of the Association shall be available for examination by prospective purchasers of Lots. The word "available," as used herein, shall at least mean available for inspection, upon request, during normal weekday business hours or under other reasonable circumstances.

ARTICLE XII ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If an assessment or any portion thereof is not paid within ten (10) days after the due date, the assessment shall bear interest from the due date at the rate of eighteen percent (18%) per annum or at such lesser rate as may be set from time to time by the Board of Directors, and the Association may assess a monthly late charge

thereon. The Association may bring an action at law or in equity against the Owner personally obligated to pay the same, or foreclose the lien against such Owner's Lot, and interest, late charges, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

ARTICLE XIII
CORPORATE SEAL

The Association shall have a seal in circular form and within its circumference the words: FRENCH CREEK TOWNHOME ASSOCIATION INC.

ARTICLE XIV
AMENDMENTS

Subject to the terms and provisions of Article XI and Article XII, Section 8(b) of the Declaration, these Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy, provided that the VA or HUD shall approve any alteration, amendment, or repeal of these Bylaws while there is a Class B membership.

ARTICLE XV
INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify every director, officer, agent and employee, and any former director, officer, agent and employee, against all loss, costs and expense, including counsel fees, reasonably incurred in connection with any action, suit, or proceeding to which such person may be made a party by reason of being or having been a director, officer, agent or employee of the Association, except for matters in which such person shall be finally adjudged in such action, suit, or proceeding to be liable for gross negligence or fraud. Any such indemnification shall be limited to and may only be paid out of the insurance proceeds provided by an insurer furnishing officers and directors errors and omissions insurance coverage and any other insurance protecting the Association from liability because of the negligent acts of its servants, including insurance covering motor vehicles or public liability, property damage, medical and other similar coverage, it being the intent and purpose of this provision to limit all payments or settlements in indemnification to the actual proceeds of insurance policies. No indemnification shall be provided for acts constituting gross negligence, nor for fraud, nor for more reprehensible conduct. In the event of a settlement, the settlement shall be approved by the insurance

carrier and paid for by the insurance carrier out of the insurance proceeds. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled.

ARTICLE XVI
MISCELLANEOUS

Section 1. The fiscal year of the Association shall end on the last day of December every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. Conflict of Documents. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in case of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

IN WITNESS WHEREOF, we the undersigned, being all of the directors of FRENCH CREEK TOWNHOME ASSOCIATION, INC., have hereunto set our hands this 11th day of April, 1965.

DIRECTORS: _____

James C. Williams

I, the undersigned, do hereby certify: THAT I am the duly elected and acting Secretary of FRENCH CREEK TOWNHOME ASSOCIATION, INC., a Colorado nonprofit corporation, and

THAT the foregoing Bylaws constitute the Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 11th day of July, 1950, and that as of the date hereinafter subscribed, said Bylaws are in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 11th day of July, 1950.

Secretary

[SEAL]

Resolution: 00-01
Date: 5/16/00

FRENCH CREEK TOWNHOUSE ASSOCIATION
INSURANCE CLAIM ADMINISTRATION POLICY

Pursuant to the powers conferred upon it in the Declaration of Covenants, Conditions & Restrictions Article VI, for the French Creek Townhome Association, the Board of Directors hereby adopts the following policy regarding losses:

The Association maintains a comprehensive insurance policy insuring against losses resulting from fire, casualty, liability and other perils. This insurance policy is subject to a deductible amount for claims made.

The individual owner is responsible for the deductible for any loss or damage under the following conditions:

1. Damage of loss occurs through negligence or willful act of an owner, his tenants, pets, family or invitee.

In such cases the owner shall be responsible for all costs incurred by the Association in repairing such damage or compensating such loss to the extent such costs (including any applicable deductibles) are not covered by the Association insurance proceeds. The determination of whether the loss or damage was caused by negligence or a willful act will be made by the insurance company, the Fire Department or the Board of Directors.

2. Damage or loss, which originates within a unit or limited use common area, such as a grease fire, broken icemaker water line, broken washer hose, toilet back, etc.

Generally, the insurance deductible for damage or loss originating with the unit or exclusive use Common Area will be the responsibility of the owner.

3. The Association will pay the insurance deductible only for damages to the unit, exclusive use Common Area, or Common Area that originates from an Association Common Area.